

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: LIBERTY UTILITIES (MIDSTATES NATURAL GAS) CORP.	DOCKET NO. EEP-2016-0002
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ORDER APPROVING SETTLEMENT

(Issued June 28, 2016)

PROCEDURAL BACKGROUND

In 2011, Liberty Utilities ((Midstates Natural Gas) Corp. (Liberty) acquired all of the natural gas assets of Atmos Energy Corporation (Atmos) located in Iowa, Illinois, and Missouri. Liberty currently serves approximately 4,000 natural gas customers in Iowa, primarily in the city of Keokuk, Iowa.

Atmos' most recent energy efficiency plan was filed on March 28, 2003, for the five year period of 2003 through 2008. The plan was identified as Docket No. EEP-2003-0003. The Office of Consumer Advocate (OCA), a division of the Iowa Department of Justice, was the only intervening party in the docket. OCA filed a response to Atmos' plan on May 27, 2003, stating that all issues had been resolved during the collaborative process that took place prior to the plan being filed. While a formal settlement was not filed with the Board, the plan itself reflected agreement between Atmos and OCA. The Board issued an order approving Atmos' energy efficiency plan on July 21, 2003.

On April 18, 2007, Atmos filed a request for a waiver of Board rules that required Atmos to participate in a collaborative study with other rate-regulated utilities for the purpose of assessing the factors associated with the development, filing, and implementation of a new energy efficiency plan. The waiver request was identified as Docket No. WRU-2007-0011-0222. Atmos asked for the waiver of the rules so that it could extend the 2003-2008 plan. OCA did not object to Atmos' waiver request and the Board granted the request on May 14, 2007.

Atmos continued to file annual reports for each year that provided spending and savings results for the energy efficiency programs offered and provided the planned spending for the following year. On September 17, 2010, Atmos filed a notice of intent to begin a rebate pilot program, which offered appliance rebates (furnaces, boilers, and hot water heaters) that were similar to those offered by the other investor-owned utilities (IOUs). The pilot program was expected to end in 2013. However, due to the transition in ownership from Atmos to Liberty in 2011, the pilot program and other energy efficiency programs were continued with no new plan being filed.

In 2014, Liberty met with OCA and Board staff to discuss the development of a new energy efficiency plan that would include an appliance rebate program that would no longer be considered a pilot program. Liberty worked extensively with OCA to develop the new plan. On February 27, 2016, Liberty filed an application for approval of a new four-year plan and asked for a waiver of Board rules 199 IAC 35.4(4), 35.8(2)(d), and 35.10.

On March 16, 2016, the Board issued an order that docketed the plan, established a procedural schedule, and granted Liberty's request for waiver.

On May 9, 2016, Liberty and OCA filed a settlement agreement related to Liberty's proposed 2016-2019 plan.

SETTLEMENT AGREEMENT

The settlement agreement addresses the following five issues: 1) Liberty's filing of a four-year rather than a five-year plan; 2) the Assessment of Potential; 3) the Benefit-Cost ratios; 4) Potential Board Request for Additional Information; and 5) Plan Changes.

A. Four-Year Rather Than Five-Year Plan

Liberty's proposed plan is for the four-year period of 2016-2019, which differs from the other Iowa IOUs five-year plans that cover 2014-2018. Liberty commits to filing a five-year plan beginning with the 2020-2024 plan cycle, which will allow the company to draw from the other IOUs' 2019-2023 plan filings and the underlying Assessment of Potential. The Settlement Agreement does not preclude Liberty from moving to the same five-year period used by the other Iowa IOUs.

B. Assessment of Potential

Liberty's proposed plan does not reference an Assessment of Potential, but does include measures offered by other IOUs in their approved plans. The other Iowa IOUs conducted a Joint Assessment of Potential to aid in the development of their 2014-2018 plans. Liberty agrees to consider the Joint Assessment of Potential that will be conducted to support the IOU's 2019-2023 plans. OCA and Liberty agree

that it is not necessary for Liberty to conduct a separate Assessment of Potential for its Iowa service territory.

C. Benefit-Cost Ratios

Liberty's proposed plan relies on a benefit-cost analysis conducted in 2011 for Liberty's Missouri operations. OCA and Liberty agree that Liberty will make informational filings with the Board when Liberty receives or conducts more recent benefit-cost analysis in its Missouri jurisdiction. Furthermore, Liberty proposes to promote cost-effective energy efficiency measures that are currently offered by the other Iowa IOU's plans.

D. Additional Information

Liberty and OCA agree that Liberty will continue to file the Energy Efficiency Annual Reports, which are due on or before May 1 of each year. The reports will include itemized spending by budget categories found in 199 IAC 35.8(2)(d), a narrative of the plan performance, and a summary of actual spending and savings impacts. Additionally, the annual reports will include (when available) Evaluation, Monitoring, and Verification (EM&V) reports for Iowa-specific programs and for Missouri energy efficiency programs as well as the energy efficiency annual report filed by Liberty in Missouri.

E. Plan Changes

Liberty and OCA agree that Liberty will file any updates to its energy efficiency program features by January 31 of each year.

DISCUSSION

Board rule 199 IAC 7.18 provides that parties to a contested case proceeding may propose to settle all or some of the issues in the case. The Board may approve a proposed settlement if it is “reasonable in light of the whole record, consistent with law, and in the public interest.” 199 IAC 7.18.

Liberty states that the proposed settlement filed on May 9, 2016, represents a complete settlement of the issues in this docket. Liberty asserts that the terms of the proposed settlement are just, fair, and reasonable in light of the whole record, consistent with Iowa law, and in the public interest.

Liberty’s proposed plan provides energy efficiency programs for low-income and residential customers and also provides educational programs through its school-based energy education program. Liberty wants to discontinue the small commercial audit program because there has been no participation in the program since it began in 2004. However, small commercial customers can receive rebates through the appliance rebate program.

The proposed plan has a budget of \$90,539 per year, which is slightly less than the current budget of \$103,255 per year. Over half of the budget (\$52,000) is for the low-income weatherization program. The actual spending on that program varies each year based upon the activities of the Community Action Agency that provides the low-income weatherization program in Liberty’s service territory. The proposed plan also includes the appliance rebate program, which has steadily attracted more customer participation since 2010 and provides incentives similar to

those offered by the other Iowa IOUs. Overall, the plan budget provides steady funding of the energy efficiency programs over the four-year period.

Liberty does not provide or reference an Assessment of Potential as required by 199 IAC 35.8. However, the other IOUs filed a Joint Assessment of Potential in their most recent energy efficiency plan filings.¹ The findings in that study are likely applicable to Liberty's service territory in Iowa. The Board finds that it is not necessary for Liberty to conduct a separate Assessment of Potential for its service territory. According to the Settlement Agreement, Liberty agreed to consider the Joint Assessment of Potential that will be conducted to support the IOU's 2019-2023 plans to support Liberty's next plan filing.

According to Board rule 199 IAC 35.8(2) the cost-effectiveness threshold for the plan as a whole should be a benefit-cost ratio of 1.0 or greater. Liberty provided a benefit-cost analysis that was performed by Cadmus in 2011 for Liberty's Missouri operations. Although the report from Cadmus does not include a societal benefit cost test as required by 199 IAC 35.8(1)(e)(1), it does provide the total resource cost (TRC) test. The societal cost test is similar to the TRC except that it attempts to capture the larger benefit to society that isn't captured in energy savings alone. Liberty argued that because its service territories in Missouri and Iowa are similar, the benefit -cost results would be similar. Additionally, Liberty claimed that a separate analysis for the Iowa operations would be cost-prohibitive given the small customer base.

¹ Interstate Power and Light Company, EEP-2012-0001; MidAmerican Energy Company, EEP-2012-0002; and Black Hills Energy Company, EEP-2013-0001.

Liberty's Appliance Rebate program passes the TRC test with a 1.45 benefit-cost ratio. Low-income programs are not tested for cost-effectiveness unless the utility wishes to present the results of the cost-effectiveness tests for informational purposes. Liberty does not present cost-effectiveness information for the school-based energy education program, but their program is similar to a program offered by other Iowa IOUs that have a benefit-cost ratio of greater than 1.0. Although Liberty does not provide a cost-effectiveness value for the plan as a whole, the Board finds that the plan, overall, would have a benefit-cost ratio of 1.0 or greater. In the Settlement Agreement, Liberty agrees to make informational filings with the Board when more recent benefit-cost analysis from its Missouri jurisdiction is available and to promote cost-effective energy efficiency measures that are currently offered by the other Iowa IOUs.

The Board finds that Liberty's energy efficiency plan provides its customers with continued access to energy efficiency programs that are cost-effective and also provides opportunities for Liberty to offer energy efficiency education to its customers. The Board also finds that the negotiated terms of the settlement agreement reached by Liberty and OCA are just, fair, and reasonable in light of the whole record, consistent with Iowa law, and in the public interest. The Board will approve the Settlement Agreement and Liberty's 2016-2019 Energy Efficiency Plan. The procedural schedule still in effect in this docket will be cancelled.

ORDERING CLAUSES

IT IS THEREFORE ORDERED:

1. The Settlement Agreement filed by Liberty Utilities (Midstates Natural Gas) Corp. and Office of Consumer Advocate, a Division of the Iowa Department of Justice, on May 9, 2016, is approved as discussed in this order.
2. The Energy Efficiency Plan filed by Liberty Utilities (Midstates Natural Gas) Corp. on February 17, 2016, is approved, as discussed in this order.
3. The procedural schedule still in effect in this docket is cancelled.

UTILITIES BOARD

/s/ Geri D. Huser

ATTEST:

/s/ Trisha M. Quijano
Executive Secretary, Designee

/s/ Nick Wagner

Dated at Des Moines, Iowa, this 28th day of June 2016.